2021

The turning point: Reinvention and opportunity in the economy of the future

The pandemic has reset the ways we live, work, and do business, accelerating some long-term shifts and setting new changes in motion. In 2021, the McKinsey Global Institute took stock of how the economy is transforming—and the new opportunities now at hand.

Below we showcase 12 of the most thought-provoking charts from our research over the past year. It's a small sample of the rich insights we've found as we consider how the world has changed and the postpandemic economy comes into focus.

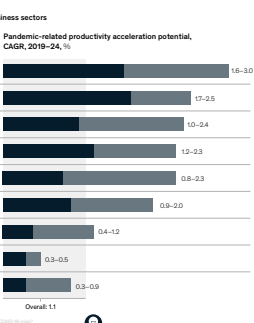
Opportunities of the future

1 Business shifts made during the pandemic could yield greater productivity

Acceleration of digitization and automation and other operational adjustments that businesses made to adapt during the pandemic could enhance productivity and economic growth.

Productivity has the potential to increase by roughly one percentage point annually through 2024.

European and US nonfarm business sectors



Source: Will productivity and growth return after the COVID-19 crisis? McKinsey Global Institute, May 2021

Extending operational advances made during the pandemic across entire supply chains can amplify productivity gains.

2 COVID-19 has altered consumer preferences

Online healthcare and grocery shopping have seen a persistent digital boom, while dining in restaurants and leisure travel are returning to prepandemic norms.

Depending on sector and geography, some new behaviors will stick while others will not.

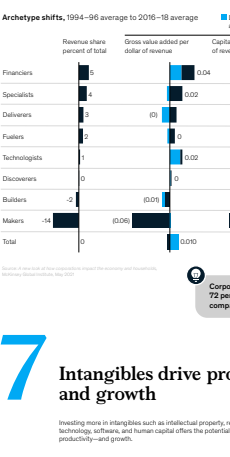
Source: The consumer demand recovery and lasting effects of COVID-19, McKinsey Global Institute, March 2021

A 10 to 20 percent spike in savings rates in the United States and Western Europe during the pandemic suggests a strong but unequal recovery in consumer demand.

3 Asia's consumption is rising—and growing more complex

By 2030, 70 percent of Asia's population may have joined the consuming class, up from 45 percent in 2020. New pockets of growth are emerging.

In the next decade, 80 percent of consumption growth may come from the top two tiers of the income pyramid in Asia.



Note: Figures may not sum to 100% because of rounding. Source: Beyond income, Redrawing Asia's consumer map, McKinsey Global Institute, September 2021

As more Asian households gain discretionary spending power, companies can tap into new markets and target new consumer segments more precisely.

4 Prioritizing health can deliver economic benefits

Poor health currently costs the European economy about 15 percent of GDP, or about $27 trillion annually.

Proven interventions already at hand could extend healthy, productive life spans across Europe.

Impact by intervention type, Europe, 2040, %

67% of the potential improvements come from a wide range of known preventive strategies

35 Environmental, social, and behavioral		32 Prevention and health promotion		33 Therapeutic	
Education for behavioral change	9	Preventive medicines for heart disease, stroke, and diabetes	11	Physiotherapy	6
Smoking cessation	9	Vaccines	5	Pain relief medications	5
Weight management and physical activity	5	Medicines to prevent infection	4	Specialist surgery	4
				Psychological therapy	4

Source: Hamish Attwood, Oscar Boldt-Christmas, Penny Dash, Martin Dewhurst, Brad Dunlop, Alexis Krivkin, and Sven Smit, "How keeping health a priority is a prescription for European prosperity," McKinsey Global Institute, May 2021

The average 65-year-old in 2040 could be as healthy as the average 55-year-old today, and 11 million deaths could be averted.

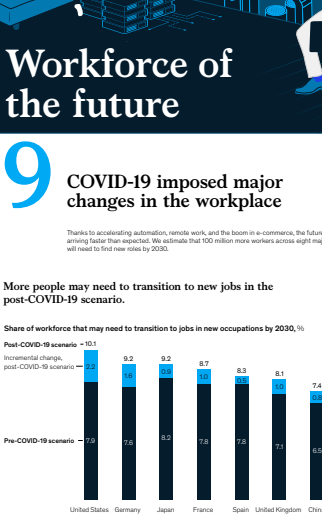
Investment for the future

5 The world is wealthier than ever—but much of that wealth is stored in bricks and mortar

MGI delved into the balance sheets of the corporate, public, household, and financial sectors across countries and found that net worth has grown rapidly over the past two decades even as GDP growth has been sluggish. Perhaps even more striking, at a time when the economy has become more digital and intangible, the biggest driver of rising net worth is real estate.

Real estate accounts for two-thirds of real assets.

Distribution of real assets, global average, 2020, %



Source: The rise and rise of the global balance sheet: How productively are we using our wealth? McKinsey Global Institute, November 2020

More investment could go into sustainability, infrastructure, machinery and equipment, and other assets that drive economic growth and productivity.

6 The contribution of business activity to GDP per capita has tripled since 1960

Shifts in the corporate landscape over the past quarter century have altered the pathways by which the economic benefits generated by corporations flow to households.

The changing mix of company archetypes within economies has impact on capital and labor income.

Archetype shifts, 1994–96 average to 2016–18 average — Due to shifts within an archetype — Due to shifts among archetypes

	Revenue share percent of total	Gross value added per dollar of revenue	Capital income per dollar of revenue	Labor income per dollar of revenue
Financiers	-5	0.04	0.01	0.02
Specialists	4	0.02	0	0.01
Deliverers	2	(0)	0	0.01
Fuelers	-2	0	0	(0)
Technologists	1	0.02	0.01	0.01
Discoverers	0	0	0	0
Builders	-2	(0.01)	0	(0.01)
Makers	-14	(0.06)	0	(0.05)
Total	0	0.010	0.031	-0.021

Source: A new look at how corporations impact the economy and households, McKinsey Global Institute, May 2021

Corporate business activity accounts for 72 percent of GDP in the OECD, so how companies invest matters.

7 Intangibles drive productivity and growth

Investing more in intangibles such as intellectual property, research, technology, software, and human capital offers the potential for increased productivity—and growth.

Top growers invest 2.6 times more in intangibles than low growers across sectors.

Ratio of investment in intangibles to revenue by sector in 2019, %

Source: Getting tangible about intangibles: The future of growth and productivity? McKinsey Global Institute, June 2021

If 10 percent more companies invested as much in intangibles as the top-growing companies, they could produce an additional $1 trillion in gross value added.

8 Sustainable, inclusive growth can deliver big benefits for the environment, society, and the global economy

As COVID-19 recedes, world leaders have an opportunity to focus on improving lives and livelihoods by pursuing three enormous goals: growth, sustainability, and inclusion. At times these goals reinforce and enhance each other, while at other times they counteract each other. So while many agree on the aspiration, trade-offs often become the focus—sustainability or growth, inclusion or sustainability.

Sustainable and inclusive growth can be dynamic and self-reinforcing, but only if counteracting forces are addressed.

Source: Bob Sternfels, Tracy Francis, Anu Madgavkar, and Sven Smit, "Our future lives and livelihoods: Sustainable and inclusive and growing," McKinsey Quarterly, October 2021

Finding ways to achieve sustainability *and* inclusion *and* growth will pay off in benefits for society and expanding economic prosperity for all.

Workforce of the future

9 COVID-19 imposed major changes in the workplace

Thanks to accelerating automation, remote work, and the boom in e-commerce, the future of work is arriving faster than expected. We estimate that 100 million more workers across eight major economies will need to find new roles by 2030.

More people may need to transition to new jobs in the post-COVID-19 scenario.

Share of workforce that may need to transition to jobs in new occupations by 2030, %

	United States	Germany	Japan	France	Spain	United Kingdom	China	India
Job transitions in post-COVID-19 scenario, million	17.1	5.8	3.9	2.5	1.6	2.7	54.4	17.9

Note: Figures may not sum to total because of rounding. Source: The future of work after COVID-19, McKinsey Global Institute, February 2021

These transitions create opportunities to train low-wage workers with skills of the future that can lead to higher-paying jobs.

10 Rejuvenating traditional sectors can be an engine of growth

Manufacturers have new opportunities stemming from changing global cost structures and the introduction of new technologies, materials, and processes.

An effective transformation of the US manufacturing sector could boost GDP by $275 billion to $460 billion while adding up to 1.5 million jobs.

Incremental 2030 GDP opportunity, $ billion (index = 2020)

Note: Figures may not sum to 100% because of rounding. Source: Building a more competitive US manufacturing sector, McKinsey Global Institute, April 2021

We identified 16 priority industries that could help drive the manufacturing recovery.

11 China's evolving economy requires a different mix of workforce skills

The opportunity for workforce transformation looms especially large in China. As consumption, services, and innovation replace capital investment and manufacturing as key drivers of the economy, China is rapidly moving to build its workers' skills.

Four levers could have a significant impact on education and skills development in China by 2030.

Digital technologies	Collaborative ecosystem	Enhanced vocational tracks	Mindset and incentives
>900 million individuals reached through tech-enabled learning platforms	>300,000 school-enterprise partnerships	100% of application-oriented universities open to flexible paths for vocational students	220 million people benefiting from information platforms to navigate occupation transitions
>2 million individuals deliver microcurricula through digital platforms	27 million students and 11,000 vocational schools covered	80% of vocational educators with industry experience	100% of workforce eligible for subsidized training programs

Source: Realizing China: Transforming the world's largest workforce into lifelong learners, McKinsey Global Institute, January 2021

Up to 30 percent of the Chinese workforce may need to transition between occupations because of automation alone.

12 Inclusion matters

In 2021, our research documented the gaps facing Black Americans as workers, business owners, consumers, savers, and residents—and considered the economic and human potential that could be unleashed by closing them.

In the United States, achieving occupational parity would boost wages for Black workers by 30 percent annually.

$124B
Closing the representation gap
Improving Black representation in all occupations to match that of Black representation in the labor force
$220B
~30% potential boost to Black workers' aggregate wage
$96B
Closing wage gaps
Closing wage gaps between Black workers and their white counterparts in the same occupational categories

Source: The economic state of Black America: What is and what could be, McKinsey Institute for Black Economic Mobility and the McKinsey Global Institute, June 2020

Addressing pay gaps in just 20 occupational categories could eliminate half the wage disparity for Black workers in the United States, broadening prosperity.

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In 2022, the McKinsey Global Institute will publish research on the economic shifts needed to achieve net-zero emissions, shifting regional growth patterns, and human capital, as well as new research on sustainable, inclusive growth.

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